

UNITED STATES MARINE CORPS  
Financial Management School  
Marine Corps Service Support Schools  
PSC Box 20041  
Camp Lejeune, North Carolina 28542-0041

FMC 0401  
Jan 2000

STUDENT OUTLINE

COORDINATE AUDITS BY EXTERNAL AGENCIES

LEARNING OBJECTIVES:

1. TERMINAL LEARNING OBJECTIVE: Without the aid of references and given an audit agency's announcement letter, assignment as audit liaison official, list in writing the action required to coordinate the audit in accordance with Student Outline FMC 0401. (3404.5.2) (3451.4.1)

2. ENABLING LEARNING OBJECTIVES:

a. Without the aid of references, and given an audit agency's announcement letter, identify in writing the agencies authorized to conduct audits on Marine Corps installations in accordance with Student Outline FMC 0401. (3404.5.2a) (3451.4.1a)

b. Without the aid of references, and given the assignment as audit liaison official, identify in writing the duties of the liaison official in accordance with Student Outline FMC 0401. (3404.5.2b) (3451.4.1)

OUTLINE:

1. EXTERNAL AUDIT AGENCIES:

a. First let me clarify what I mean by external agencies visiting your command. External means outside of your command, in fact it also means outside or external to the Marine Corps. It also means external to the Department of the Navy. The key here is external to your command. Periodically, audits, studies, visits, committees or groups will visit commands for the purpose of either conducting an audit, review, or possibly a fact finding tour. It is the responsibility of the resource evaluation and analysis officer to coordinate all actions associated with these external visits. Normally, and I emphasize, normally, your command will be notified by naval message of the unit, number of visitors, duration of visit and exactly what the external agency is going to look at. These external agencies should follow-up with an introductory or approval letter.

b. The audit agencies authorized to conduct audits on Marine Corps installations are the General Accounting Office (GAO), the Department of Defense Inspector General (DODIG), the Naval Audit Service (NAS), and the Marine Corps Nonappropriated Fund Audit Service (MCNAFAS). Specifically, the GAO, NAS, and DODIG have been established by statute to review Government management actions and publish audit reports consisting of findings, recommendations, and management responses. MCNAFAS, though, is under the operational and technical direction of the CMC (FD). It is responsible for auditing and reporting on Marine Corps nonappropriated fund functions. In addition to these agencies, an audit/inspection could be conducted by higher headquarters.

c. The above listed audit agencies are responsible for notifying commands of proposed visits relating to their specific audits. Audit announcements may be made telephonically but will always be followed by written notification. Typically, audits are announced by formal correspondence. Marine Corps installations DO NOT and should not allow an auditor to step on Marine Corps "soil" without written confirmation. (Note: only Disbursing audits may be conducted and honored on a "surprise" basis.) Written confirmation notices generally include the estimated time of arrival and departure and the auditors' clearances.

d. Marine Corps policy advocates cooperating and assisting auditors. It does not, however, require commanders to provide them preferential treatment nor disrupt operations or schedules.

## 2. GENERAL AUDIT INFORMATION:

a. Each audit begins with an opening conference. Usually the conference is held at least the HQMC level if it is going to affect several commands. If, however, the audit will affect only one command, the auditors may conduct opening conferences at the local command level. Local commanders may, if they desire, request opening conferences whether one has been done at the HQMC level or not. This is a valuable tool to the local commander to obtain pertinent information about the audit. The information, for example, may include:

- (1) Exact arrival and departure dates
- (2) Full scope of the audit (units affected and amount of auditing (research) to be conducted)
- (3) Will the audit report refer to local commands by name
- (4) When the draft and final report completion date is anticipated

b. Local commands may request that an exit conference be held. This is conducted upon the conclusion of the auditor's work at the command. At this conference, the auditors' findings may be discussed. (They may also have a written copy of their findings.) If the command differs with the auditors' findings, efforts can be made to

resolve the differences. (NOTE: The draft auditor's report also exists to respond to auditors' findings.)

c. The draft report is usually forwarded to all commands audited **and requires comment and** action. This report is crucial since commands may find their budgets decreased, public outcry, or personnel fired as a result of audit findings. While these results may be **extreme, they have** occurred as a result of external audits when the command failed to properly comment or act upon the draft report.

### 3. THE ROLE OF THE LOCAL LIAISON OFFICIAL:

a. MCO 7510.3D requires all commands to designate a liaison official (audit focal point). Normally, the focal point will come from within the REA staff the Comptroller's office. The liaison has a variety of duties. These duties begin prior to and finish after the conduct of the audit. Upon notification of the audit, they include:

(1) Establish an official file for each audit. The file will contain a record of ALL contact with the auditors whether it be written or telephonic. It should also include a copy of all information gathered for the auditors.

(2) Assess and gather needed requirements for the audit team. This information can be gathered from the announcement letter and subsequent telephonic conversations. The needed requirements may include: 1) work space, 2) basic administrative requirements, 3) information gathering (e.g. computer reports), 4) hotel accommodations, and 5) the best time for inbriefs.

(3) Determine, contact and schedule opening conferences with affected units (if desired by local commanders). The desired units or areas of responsibilities to be audited will frequently be specified by the auditors. At times, the responsible unit may have to be determined by reviewing local organizational structure and responsibilities. Immediately inform the sections to be audited. Most section commanders will typically desire a copy of the auditor's announcement letter. Coordinate the inbrief with all units to be audited. (Ascertain whether any section is desirous of a private inbrief. This should be discouraged as most of the auditor's time is scheduled and limited.) Ensure all personnel involved in the inbrief possess the required security clearance. Lastly, confirm the date and time of the inbrief with the auditors.

(4) Monitor conduct of the audit. Maintain contact with the auditors and affected units continuously. Ensure the auditors have access to what they are authorized to audit. They should not be allowed "to snoop" or have blanket access to databases. Any request for Joint Chiefs of Staff (JCS) data, Presidential Budget data, Program Objective Memorandum (POM) data, Five Year Defense Plan (FYDP) data, and inspection reports should be referred to CMC (FDR).

(5) Review and ensure command review of draft report copy (it may or may not be available prior to the outbrief). Findings and recommendations must be promptly reviewed. Recommendations should be reviewed in terms of reasonable implementation

by the command. If a cost savings is identified, it must be verified by all sections involved to include the Comptroller's budget department.

(6) Ensure command responses to draft audit report are reasonable and timely. (This may or may not occur prior to the outbrief.) Responses should include that the findings and recommendations are accurate. If a finding is not accurate, it must be documented in terms of fact and logic. If issue is taken with a recommendation, it should be noted why and an alternate recommendation proposed; also, a written statement of nonconcurrence must be submitted with the recommendation. If the finding and recommendation are concurred with, a **target date** for completion of corrective action must be determined and stated in the report. If the target date is greater than a year away, then interim milestones must also be included in the report. Again, any identified dollar savings in the report must be specifically addressed in the report. If concurred with, the subsequent year budget should reflect this savings.

(7) Schedule and monitor outbriefs. If the above draft report is not available prior to this conference, it should be ascertained when it will be completed. Findings and possible recommendations should also be discussed. This is an ideal time to iron out differences between the command and the auditors.

(8) Follow-up on concurred with recommendations. While it is the responsibility of each commander to implement the recommendations and establish their own follow-up procedures, the liaison is typically responsible for on-site verification. If a recommendation included a monetary benefit in excess of \$50,000, a positive statement of completed on-site verification must be provided to the C\IC (FDR). Note that CMC (FDR) may request follow-up implementation reports.

(9) Should a command change its mind on a previously concurred with recommendation it should be promptly reported to CMC (FDR).

#### REFERENCES:

1. MCO 7510.3\_